

SENATE BILL 1901  
By Dixon

AN ACT to amend Tennessee Code Annotated, Title 45; Title 47 and Title 62, Chapter 37, Part 1, relative to certain loan transactions.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 45-13-103(c), is amended by deleting subdivision (4) in its entirety.

SECTION 2. Tennessee Code Annotated, Section 45-13-103(a), is amended by adding the following language at the end of the subsection:

Provided, that no home improvement contractor or other person who supplies materials and renders services in the improvement of real property shall engage in the business of making mortgage loans or of being a mortgage loan broker in this state.

SECTION 3. Tennessee Code Annotated, Title 45, Chapter 12, Part 1, is amended by adding the following language as a new, appropriately designated section:

45-13-123.

(a) A home improvement contractor shall not have a controlling ownership interest in the lender providing a mortgage loan for home improvement for the work being performed by the contractor.

(b) A lender shall not make any payments to a home improvement contractor under a home improvement contract from proceeds of a mortgage loan for home improvement other than:

(1) In the form of an instrument that is payable to the borrower or jointly to the borrower and the contractor; or

(2) At the election of the borrower by a third-party escrow agent in accordance with terms established in a written agreement signed by the borrower, the registrant, and the contractor prior to the date of payment.

(c) As used in this section, "mortgage loan for home improvement" means a consumer credit mortgage loan transaction involving property located within this state for which the original principal balance is less than one hundred thousand dollars (\$100,000).

SECTION 4. This act shall take effect upon becoming a law, the public welfare requiring it.